

HELPFUL TERMS

Bond Counsel. Attorneys for bond issuer who prepare legal documents and attest to legality of the debt.

Bond Insurer. Insurance companies that sell insurance that will help the bonds trade as though they are AAA rated.

Bond Issuer. A state, political subdivision, agency, or authority that borrows money through the sale of bonds to investors.

Financial Advisor. Consultants for the bond issuer who advise on the structure of the debt and possible credit enhancements (e.g., insurance).

GEC (General Engineering Consultant). Produces a project schedule and an estimate of the cost of construction as well as operation and maintenance (O&M) expenses over time.

General Obligation Bond (GO). A municipal bond backed by the credit and "taxing power" of the issuing jurisdiction, rather than the revenue from a given project.

Investment Grade. Describes the top four rating categories of relatively secure bonds suitable for a conservative investor. Generally speaking, any bonds rated below BBB are considered to have speculative features and are deemed sub-investment grade or junk bonds.

Official Statement (Prospectus). The official report prepared by or for the issuer indicating the economic, financial, and social characteristics of the issue and the collateralization for the bond issue.

Pass-Through Financing. A per vehicle or per vehicle-mile fee that is paid by a project sponsor on behalf of users.

Ratings Agency. An organization that assesses and issues opinions regarding the relative credit quality of bond issues. The three major municipal bond rating agencies are Fitch Investor Service, Moody's Investors Services, and Standard and Poor. See chart below for standard rating scales for each agency.

| Moody's | S&P/Fitch | Grade | Risk |
|------------|------------|------------|--------------------|
| Aaa | AAA | Investment | Highest Quality |
| Aa | AA | Investment | High Quality |
| A | A | Investment | Strong |
| Baa, B | BBB | Investment | Medium Grade |
| Ba, B | BB, B | Junk | Speculative |
| Caa, Ca, C | CCC, CC, C | Junk | Highly Speculative |
| C | D | Junk | In Default |

SIB (State Infrastructure Bank). The SIB operates chiefly as a revolving loan fund. As loans are repaid to the SIB, additional assistance will be granted for more/other transportation projects.

Texas Mobility Fund. Voter approval in 2001 of Proposition 15 and enactment of legislation by the 77th Legislature in 2001 created the Texas Mobility Fund in the state treasury. The fund supplements the state's traditional pay-as-you-go method of financing highway projects. It allows the state to issue bonds so the construction of congestion-reducing projects can be accelerated.

TIFIA. Transportation Infrastructure Financing and Innovation Act. enacted to leverage limited federal resources and stimulate private capital investment in transportation infrastructure by providing credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to projects of national or regional significance.

Toll Revenue Bonds. A type of municipal bond where principal and interest are secured by tolls paid by the users of the facility that is built with the proceeds of the bond issue.

Traffic and Revenue Firm. Provides a forecast of the volume of traffic and an estimate of toll revenues generated over time.

Trustee. An individual or organization designated by the issuer as the custodian of funds and official representative of bond holders. Trustees are appointed to insure compliance with the contract and represent bond holders to enforce their contract with the issuers.

Underwriter's Counsel. Attorneys for underwriters who prepare an Official Statement (effectively the offering document for the bonds) and assure that all known relevant facts are disclosed to potential investors.

Underwriters. An intermediary between an issuer of a bond and the investing community, usually an investment bank. (e.g., UBS Paine Webber, JP Morgan, CitiGroup, Merrill Lynch, Bear Sterns, Goldman Sachs, etc.). Sells bonds to the market of investors and will purchase any bonds that go unsold on the day of issuance.

Working Group. Group of professionals assembled to provide advice and technical support to the issuer with respect to developing the official statement (prospectus). The working group typically consists of bond counsel, underwriter's counsel, financial advisor, traffic and revenue consultant and general engineering consultant.

TOLL ROAD FINANCE

Why We Need Toll Roads • Types of Bonds • Issuing Bonds • Bond Ratings • The Process



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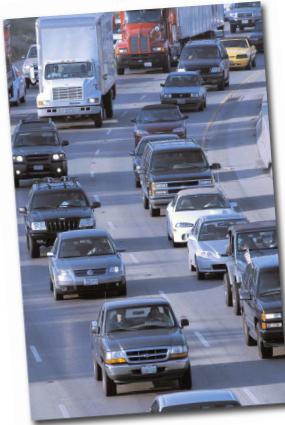
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THE DOLLARS AND SENSE OF TOLL ROADS



Q: Why are toll roads needed in Texas?

A: Based on current revenue, the State can fund only about one-third of the statewide transportation needs. The traditional tax-based method of financing roads is no longer sufficient to handle the state's mobility needs in a timely fashion. Developing roads as tolled roads will stretch limited taxpayer dollars and accelerate construction of highway projects, resulting in congestion relief for motorists, sooner rather than later. (From Texastollways.com)

Q: What considerations are made when issuing toll revenue bonds?

A: A general list of questions that toll agencies must answer include:

- Will the project generate enough revenue to make debt payments?
- Level of public support.
- Are alternative non-toll routes available?
- Regional economic strength and diversity.



Q: What is a toll revenue bond?

A: A debt investment, with which the investor loans money to a tolling agency for a defined period of time and interest rate. The money from the bonds is used to finance construction, operation and/or maintenance of the facility. Toll revenue from the projects are pledged to repay the investors.

Q: Are there other types of bonds?

A: Yes. They include:

- Corporate (Taxable)
- Municipal (Tax Exempt)
- General Obligation (GO) Bonds
- Tax Free Revenue Bonds
- Project Revenue Bonds (e.g., Toll Roads)

Q: What if the project cannot be fully funded through the traditional bond process?

A: Toll projects typically require a combination of funding sources. When considering financing options for funding toll projects, it is important to remember a few things:

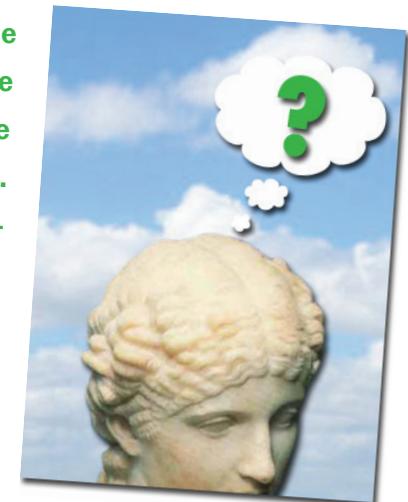
- Very few projects will be 100% toll viable;
- Tolted roads can be built with or without toll revenue bonds;
- Different considerations are made if toll revenue bonds are issued.

Other available options include:

- Texas Mobility Fund Bonds
- Pass-Through Financing
- Local Participation
- Federal Participation
- Private Participation
- State Highway Fund
- State Infrastructure Bank Loans (SIB)
- TIFIA (Transportation Infrastructure Financing Information Act) Loans

Q: What are Comprehensive Development Agreements (CDAs)?

A: Because toll roads financed with toll revenue bonds rely on the timely completion of projects, the use of CDAs are often times the best alternative for toll road construction. CDAs may provide for the design, construction, finance and operation of a turnpike project. Because CDAs allow for some design and construction activities to occur concurrently, projects are completed in a more timely manner.



Q: Who are the major players in the bond process?

- A:**
- Bond Issuers
 - Working Group
 - Underwriters
 - Investors



A bond rating specifies the possibility of default by a bond issuer based on an analysis of the issuer's financial condition and profit potential. Generally speaking, a higher bond rating means a lower interest rate.

See example below.

Total Cost of \$100M Bond for 15 Years

| | AAA | BBB |
|---------------|---------------|---------------|
| Interest Rate | (4.15%) | (4.86%) |
| Total Cost \$ | \$162,250,000 | \$172,900,000 |

Q: What are the steps to issue toll revenue bonds?

A:

1. Select working group and underwriters
2. Select potential toll projects
3. Develop traffic & revenue and construction estimates
4. Develop debt structure and legal documents
5. Issue bonds

See **Municipal Bond Process to the Right.**

Municipal Bond Process

